

Message Text

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SUBJECT: CHIANG KAI-SHEK'S DEATH TO HAVE NEGLIGIBLE
IMPACT ON ROC ECONOMY

1. SUMMARY: PRESIDENT CHIANG KAI-SHEK'S DEATH WILL
HAVE A NEGLIGIBLE IMPACT ON THE ROC ECONOMY. PRESIDENT
C.K. YEN (YEN CHIA-KAN) EXPECTED HAVE LITTLE INFLUENCE ON
GROC ECONOMIC POLICIES AND PREMIER CHIANG CHING-KUO
WILL CONTINUE TO RELY HEAVILY ON CURRENT TRUSTED
ECONOMIC ADVISERS (MINISTER OF FINANCE; MINISTER OF
ECONOMIC AFFAIRS; GOVERNOR OF CENTRAL BANK; DIRECTOR
OF BUDGET, ACCOUNTS AND STATISTICS; CHAIRMAN OF
ECONOMIC PLANNING COUNCIL; AND CHAIRMAN OF JOINT
COMMISSION ON RURAL RECONSTRUCTION). CABINET CHANGES
IN ECONOMIC POSITIONS ARE POSSIBLE BUT NOT LIKELY BEFORE
JULY 1975. LEADERS IN BUSINESS COMMUNITIES
(MAINLAND CHINESE, TAIWANESE, U.S., JAPAN, OTHER
FOREIGN) EXPRESS CONFIDENCE IN PREMIER AND CONTINUED
GROWTH IN ROC ECONOMY. END SUMMARY.

2. THE EMBASSY HAS NO REASON TO BELIEVE THAT THE
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DEATH OF PRESIDENT CHIANG KAI-SHEK WILL AFFECT

APPRECIABLY EITHER THE ECONOMIC LEADERSHIP OF THE ROC OR THE POLICIES IT HAS BEEN PURSUING. DESPITE HIS BROAD ECONOMIC BACKGROUND, PRESIDENT C.K. YEN HAD LITTLE INFLUENCE, WHEN HE WAS VICE PRESIDENT, ON THE DEVELOPMENT OF THE ECONOMIC STABILIZATION PROGRAM (ESP), WHICH HAS DETERMINED THE DIRECTION OF THE ROC ECONOMY SINCE EARLY 1974, AND IT IS UNLIKELY THAT HE WILL HAVE MUCH INFLUENCE ON THE DEVELOPMENT OF FUTURE ECONOMIC POLICY. PREMIER CHIANG CHING-KUO WILL CONTINUE TO RELY HEAVILY ON THE ECONOMIC ADVISERS WHO WERE THE ARCHITECTS OF THE ESP. THESE INCLUDE MINISTER OF FINANCE K.T. LI (LI KUO-TING); MINISTER OF ECONOMIC AFFAIRS Y.S. SUN (SUN YUN-HSUAN); GOVERNOR OF THE CENTRAL BANK K.H. YU (YU KUO-HUA); DIRECTOR GENERAL OF BUDGET, ACCOUNTS AND STATISTICS H.T. CHOU (CHOU HUNG-T'AO); CHAIRMAN OF THE ECONOMIC PLANNING COUNCIL PHILIP C.C. CHANG (CHANG CHI-CHEN) AND CHAIRMAN OF THE JOINT COMMISSION ON RURAL RECONSTRUCTION ROBER TLEE (LI CH'UNG-TAO). THIS GROUP HAS WORKED REASONABLY WELL TOGETHER AND THE SUCCESS OF THE ESP IN HALTING THE SEVERE INFLATION WHICH HIT THE ROC IN 1973 AND THE EFFICACY OF THE SUBSEQUENT MEASURES TAKEN TO REVIVE THE ECONOMY HAVE SOLIDIFIED THE GROUP'S INFLUENCE WITH THE PREMIER.

3. THIS DOES NOT MEAN THAT ONE OR MORE OF THE AFORE-NAMED INDIVIDUALS MAY NOT BE REPLACED BY THE PREMIER. THIS APRIL -LIKE IN PREVIOUS APRILS-RUMORS ARE BEGINNING TO CIRCULATE THAT THIS OR THAT MINISTER OR OTHER SENIOR GROC OFFICIAL WILL BE REPLACED AT THE BEGINNING OF THE NEXT FISCAL YEAR ON JULY 1. MINISTER LI HAS OFTEN STATED TO EMBASSY OFFICIALS THAT HE WOULD LIKE TO RETIRE AS SOON AS THE PREMIER WILL RELEASE HIM. GOVERNOR YU IS ANOTHER POSSIBLE CANDIDATE FOR REPLACEMENT. LAST YEAR, WHEN THE ROC ECONOMY WAS BESET BY SEVERE INFLATION AND THE EFFECTS OF THE WORLDWIDE INFLATION, HE WAS SEVERELY CRITICIZED BY THE BUSINESS COMMUNITY FOR HIS ADVOCACY OF TIGHT MONEY POLICIES AND HIS UNWILLINGNESS TO CONSIDER DEVALUATION. IF THE ESP AND THE OTHER MEASURES TAKEN IN 1974 HAD NOT BEEN SUCCESSFUL, IT IS ENTIRELY POSSIBLE THAT HE WOULD HAVE BEEN REPLACED, ASSUMING THAT THE PREMIER SOUGHT A "SCAPEGOAT". CRIES FOR CONFIDENTIAL

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HIS DISMISSAL HAVE BECOME INCREASINGLY FEWER AS THE ROC ECONOMY SHOWS SIGNS OF REVIVING. GOVERNOR YU IS ALSO VERY CLOSE TO THE PREMIER'S FAMILY, HAVING BEEN A FINANCIAL ADVISER TO THE LAST PRESIDENT FOR MANY YEARS. THERE ARE NO INDICATIONS THAT MINISTER SUN IS TIRED OF HIS PRESENT JOB OR THAT THE PREMIER IS DISPLEASED WITH HIS PERFORMANCE. THE OTHER THREE PRINCIPAL ECONOMIC ADVISERS (CHOU, CHANG AND LEE) ARE ESSENTIALLY SENIOR BUREAUCRATS AND THERE ARE NOT

INDICATIONS THEY WILL BE REPLACED SINCE THEY APPEAR TO ENJOY THE CONFIDENCE OF THE PREMIER. LEE, IN PARTICULAR, IS VERY CLOSE TO THE PREMIER GIVEN CCK'S GREAT INTEREST IN INCREASING AGRICULTURAL PRODUCTION, AND CHOU IS OFTEN RUMORED TO BE IN LINE FOR APPOINTMENT AS A MINISTER.

4. THE NUMEROUS BUSINESS LEADERS WITH WHOM THE EMBASSY HAS CONSULTED ON THE IMPACT OF CHIANG KAI-SHEK'S DEATH ARE UNANIMOUS IN THEIR OPINION THAT IT WILL HAVE NO SHORT-TERM IMPACT ON THE BUSINESS COMMUNITY. THIS IS TRUE WHETHER THE BUSINESSMAN IS MAINLAND CHINESE, TAIWANESE, JAPANESE, U.S. OR OTHER NATIONALITY. THE COMMENT BY THE PRESIDENT OF A MAJOR U.S. COMPANY TYPIFIES THE COMMENTS MADE: "WHILE THE PREMIER MAY HAVE KEPT HIS FATHER INFORMED OF DEVELOPMENTS IN THE ECONOMIC AREA, THERE IS NO DOUBT THAT FOR THE LAST COUPLE OF YEARS AT LEAST HE (THE PREMIER) HAS BEEN MAKING THE DECISIONS." BUSINESS LEADERS ARE NOT AS UNIFIED IN THEIR OPINIONS, HOWEVER, WHEN DISCUSSING THE LONG-TERM IMPACT OF THE GIMO'S DEATH. SEVERAL U.S. AND EUROPEAN BUSINESSMEN FEEL THAT THE PREMIER MAY BE LESS INTRANSIGENT THAN HIS FATHER ABOUT ESTABLISHING TRADE RELATIONS WITH COUNTRIES IN EASTERN EUROPE, INCLUDING THE SOVIET UNION. ONE TAIWANESE BUSINESSMAN EVEN FEELS THAT WITHIN A FEW YEARS, THERE MAY BE SOME OPEN TRADE BETWEEN THE ROC AND THE PRC, ASSUMING, OF COURSE, THE PREMIER IS STILL IN OFFICE. THE MAINLAND CHINESE BUSINESSMEN WHO WERE CONSULTED VHEMEMENTLY DENY THE POSSIBILITY OF THIS OCCURRING. THE EMBASSY ALSO CONSIDERS IT UNLIKELY.

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